

Dranesville Supervisor John Foust on Fairfax County Fiscal Year 2016 Budget

Dear Dranesville Resident,

Fairfax County's budget season is here. The past several years, arriving at a balanced budget has been very challenging. This year will be no exception. Since 2009, we have been challenged with identifying programs to reduce or eliminate. After 7 years, it is very difficult to find cuts that don't hurt. Since FY 2008, the County has trimmed \$269 million from the budget and eliminated 653 positions. Despite these reductions, the Board of Supervisors faces the difficult task of arriving at a budget that supports essential County services while minimizing the tax burden on our residents.

Fairfax County's budget is driven by the state of the local economy. The cornerstone sectors of the local economy - federal government and professional services - are losing jobs. In 2014, new jobs expanded at only .4%, significantly lower than the 2.4% average annual rate experienced prior to the recession. There are ripple effects on the County's revenues from sequestration cuts that are longer-lasting than expected. According to the Fairfax County Economic Development Authority, the commercial office market in the County remained sluggish during 2014, mainly due to concerns about the federal budget. The County's budget has to reflect these economic realities.

County Executive's Advertised Budget: Schools are our top priority

On February 17, County Executive Ed Long presented his Advertised Budget for Fiscal Year 2016 (FY 2016) to the Board of Supervisors. Schools are the number one priority, as evidenced by the proposed transfer of nearly 53% of the General Fund to Fairfax County Public Schools (FCPS). Last year, there was a large difference between the County's proposed transfer and the amount requested by FCPS. I want to commend FCPS Superintendent Karen Garza and her staff for proposing a budget this year with a much smaller difference of \$14 million.

Revenues are highly dependent on residential property tax

The Advertised Budget maintains the tax rate at its current level of \$1.09 per \$100 of value and, on March 3, the Board of Supervisors voted to advertise the tax rate at that

level. This means that, although the Board could adopt a lower rate, it is not permitted to impose a higher rate than it advertised.

Real estate taxes are the primary source of the County's revenue at 63.9% of general fund receipts; 75.64% of property tax revenues come from residential properties. County-wide assessments for residential properties increased 3.39%, down from last year's 6.54%. While residential property values have increased, growth in the commercial real estate sector remains flat. Non-residential assessments in FY 2016 are projected to be 18.67% of the total real estate assessment base, which is well below the County's goal of 25%. This commercial sector stagnation is a great concern.

Economic development is critical in Fairfax County

A vibrant local economy is the foundation of a great community. The revenues generated by a strong local economy enable communities to provide the infrastructure, schools, police, fire and rescue, libraries, parks, and many other programs and services that we all want for ourselves and our families.

It is clear that the County must continue to promote economic development in order to increase revenue from commercial properties and thereby enable us to lower the tax burden for residential property owners. Toward this end, on March 3, the Board of Supervisors approved updates to its "*Strategic Plan to Facilitate the Economic Success of Fairfax County*". The Plan was prepared by the Board of Supervisors' Economic Advisory Commission (EAC), which I have chaired since 2008.

The Plan recognizes the need to strengthen, diversify and expand the County's economy and sets out goals to improve and sustain economic success. The Plan includes dozens of action items that the County and its partners in the Economic Development Authority, the business community, civic groups, academia, non-profits, and regional partners are planning or implementing to ensure the County's economic success. County staff will update the EAC on progress toward implementing the action items and achieving the goals of the Plan on at least a semi-annual basis.

Maintaining superior bond ratings and increasing reserve funds

It is vital that we maintain the County's financial soundness and ability to respond to future unknown challenges. Fairfax County consistently has earned a triple-A bond rating from all three bond rating agencies (Moody's, Standard and Poor's and Fitch). Only 9 states, 37 counties and 32 cities in the nation, have this distinction. This triple-A

rating has saved taxpayers about \$684 million since 1978, by allowing the County to sell bonds at lower interest rates.

Currently, the County's available reserve funds from all sources constitute 12.5% of General Fund Revenues and Transfers in. The rating agencies expect to see the County reserves increased so that they are closer to the median of other peer triple-A jurisdictions. In response, the County Executive has proposed increasing the percentages that the County allocates to its two main reserves. The percentage of General Fund disbursements targeted to the Managed Reserve would increase from 2% to 4%, and from 3% to 5% for the Revenue Stabilization Reserve. In addition, a new reserve, at 1% of General Fund disbursements, would be created for the purpose of allowing strategic investment in economic development opportunities that are identified as priorities of the Board. If the Board approves the County Executive's recommendations, contributions to these County reserves would increase from 5% to 10% of General Fund disbursements. This increase of 5% would raise the overall reserve balance to 17.5% of General Fund Revenues and Transfers In, a percentage recommended by the Government Finance Officers Association.

Task force review and public involvement in the budget process

Below is an overview of the County Executive's Advertised FY 2016 Budget. The Board of Supervisors is currently conducting an extensive review of the proposal.

As that review moves forward, I need your input to insure that the Board arrives at a budget that accurately reflects our community's priorities. The opinions of all Dranesville residents are important to me. As in prior years, I held town hall meetings on the budget. I appreciate those who attended and shared their opinions with me. Also, as I have done for the past 7 years, I convened the Dranesville Citizen Budget Task Force to assist me in evaluating and providing input on the County and School budgets. This group met regularly since November and recently issued its report.

There are still opportunities to share your budget priorities and communicate your concerns. Public hearings on the proposed budget are scheduled to take place at the Fairfax County Government Center, 12000 Government Center Parkway, Fairfax. Hearing dates and times are:

- **Tuesday, April 7 at 4 p.m. (Effective Tax Rate Hearing is at 3 p.m.)**
- **Wednesday, April 8 at 1:00 p.m.**
- **Thursday, April 9 at 1:00 p.m.**

To register to speak at one of the budget hearings, please call the Clerk to the Board's office at 703-324-3151 or 703-324-2391, or sign up online at www.fairfaxcounty.gov/bosclerk/speaker_bos.htm. The public can submit written testimony or communicate with the Clerk's Office by email at clerktothebos@fairfaxcounty.gov. The hearings will be televised live on Cable Channel 16.

Reference copies of budget volumes are available at all eight **regional** Fairfax County Public Libraries. For more information about the FY 2016 Advertised Budget Plan, contact Jane Edmondson in my office at Jane.Edmondson@FairfaxCounty.gov.

We have a lot of work to do. After listening to the concerns of our constituents and after careful consideration, on April 21, the Board will hold its "Mark Up" session, proposing additions and subtractions to the County Executive's Advertised budget. The final step of the budget process will be the Board's adoption of the FY 2016 budget on April 28. That budget will become effective on July 1, 2015.

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Overview of the County Executive's Advertised FY 2016 Budget and FY 2017 Budget Plan

County Executive Ed Long presented the FY 2016 Advertised Budget Plan and FY 2017 Budget Plan to the Fairfax County Board of Supervisors on February 17.

FY 2016 Advertised Budget

For FY 2016, the proposed total budget amount for all funds is \$7.537 billion. The General Operating Fund will have total revenue of \$3.807 and total disbursements of \$3.813. Including beginning balance and transfers in from other funds, the proposed FY 2016 Budget estimates an available balance of \$3.06 million. Since the release of the Advertised Budget, that balance has been increased to \$5.8 million because of an additional \$2.7 million in state funding.

FY 2016 Revenue and 2015 Assessments

Residential home values grew at half the rate as last year, but the number of days on the market increased. County-wide assessments for residential properties increased 3.39%, down from last year's 6.54%. Assuming the current real estate tax rate of \$1.09/per \$100 of assessed value remains the same, the average homeowner would see an increase of \$185 in their tax bill.

Commercial assessments and therefore commercial tax revenues continue to stagnate. Values decreased 0.60% compared to a decline last year of 0.10% (essentially flat). Consequently, there is no significant revenue improvement in the near-term. On the bright side, the non-residential new construction market has increased a strong 2.74%. However, job growth is needed to improve the overall non-residential market.

On March 3 the Board of Supervisors voted to advertise a rate of \$1.09/per \$100 of assessed value, the current rate for FY 2015. Advertising an increase in the rate does not prevent the Board from adopting a lower rate; however, it does prevent the Board from imposing a higher rate. Based on current assessments, the amount of revenue generated by each penny on the tax rate is \$22.6 million.

Revenue has gone up primarily because of residential property assessments. FY 2016 General Fund revenues are projected to be \$3.807 billion, which is an increase of 2.66% (\$98.8 million) from the FY 2015 Adopted Budget.

FY 2016 Disbursements

General fund disbursements total \$3.813 billion, an increase of 2.61% (\$97 million) over the FY 2015 Adopted Budget plan. The amount the County transfers to Fairfax County Public Schools (FCPS) has been more than 50% of total County spending for more than twenty years. This year's transfer is 52.8% of total spending. Public Safety receives 11.9%, with Health & Welfare and Parks & Libraries receiving 10.9% and 1.3% respectively.

Transfer to Fairfax County Public Schools

The proposed budget continues the County's long-standing commitment to our public schools. Our schools are among the best in the nation and the single biggest attraction for businesses considering locating in our County. Maintaining their quality is the right thing to do for the students, and it is critical to maintaining and growing our economy.

The County Executive's proposed budget provides \$2.01 billion of the General Fund to FCPS for operations and debt service, an increase of 3.43% (\$66.7 million) from last year. The amount to be transferred to the school operating fund is \$1.83 billion, a \$56.65 million increase over the FY2015 funding level. The debt service amount is \$187.16 million, an increase of \$10.02 million from last year's amount.

On February 5, FCPS Superintendent Karen Garza proposed a budget of \$2.5 billion which includes a transfer request from the County of \$1.84 billion for operations, 3.99% (\$70.6 million) more than last year and \$14 million more than the County Executive proposed for FY 2016.

In addition to the Operating Fund transfer amount and the debt service, the County directly provides additional support for schools in the amount of \$73.4 million for programs such as Head Start, school health, school resource officers, school crossing guards, after-school programming (SACC), field maintenance and recreational programs.

How was the FY 2016 Budget Built? (increases from FY 2015 Adopted Budget in millions)

Increases in Revenues

Revenue increases	\$ 98.82	
Net Impact of Transfers In	\$ 1.68	
<u>Total available revenue</u>	\$ 100.50	\$100.50

Increases in FCPS transfer

School operations transfer	\$ (56.65)	
School debt service transfer	\$ (10.02)	
FCPS Operating and Debt Service Transfer	\$ (66.67)	

Increases in non-school disbursements proposed:

Employee Compensation	\$ (44.24)	
Human Services	\$ (10.28)	
Community Development	\$ (4.12)	
Public Safety	\$ (2.33)	
Total increases to non-school disbursements	\$ (60.97)	

Proposed decreases in non-school disbursements:

Cost of County Operations	\$ 0.63	
Capital Construction	\$ 5.09	
Total decreases to non-school disbursements	\$ 5.72	

Disbursements were offset by proposed reductions:

Reductions submitted by departments	\$ 19.90	
Reductions suggested by employees	\$ 0.90	
Savings from Community Services Board leases	\$ 1.00	
Fuel savings based on projected prices	\$ 1.00	
World Police and Fire Games projected funding not required in FY 2016	\$ 2.00	
Total reductions and savings	\$ 24.80	

<u>Net adjustments to managed reserve</u>	\$ (0.32)	
<u>Total uses</u>	\$ (97.44)	<u>\$ (97.44)</u>
 <u>Available balance</u>		 \$3.06
Additional State funding		<u>\$2.70</u>
<u>Adjusted available balance</u>		\$5.76